

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

|  |  |                          |  |  |  |                  |  |
|--|--|--------------------------|--|--|--|------------------|--|
| Local Unit of Government Type<br><input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other |  |                          |  | Local Unit Name<br>PORT OF MONROE PORT DISTRICT  |  | County<br>MONROE |  |
| Fiscal Year End<br>06/30/06  |  | Opinion Date<br>07/25/06 |  | Date Audit Report Submitted to State<br>11/15/06 |  |                  |  |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds. (SINGLE ENTERPRISE FUND)
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute. (WITH THE CITY OF MONROE)
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

|  |  |                                     |  |             |
|--|--|-------------------------------------|--|-------------|
| <b>We have enclosed the following:</b>   |  | Enclosed                            | Not Required (enter a brief justification) |             |
| Financial Statements   |  | <input checked="" type="checkbox"/> |  |             |
| The letter of Comments and Recommendations   |  | <input checked="" type="checkbox"/> |  |             |
| Other (Describe)   |  | <input type="checkbox"/>            |  |             |
| Certified Public Accountant (Firm Name)<br>COOLEY HEHL WOHLGAMUTH & CARLTON, PLLC                                |  |                                     | Telephone Number<br>734-241-7200           |             |
| Street Address<br>ONE SOUTH MONROE STREET  |  |                                     | City<br>MONROE                             | State<br>MI |
|  |  |                                     | Zip<br>48161                               |             |
| Authorizing CPA Signature<br> |  |                                     | Printed Name<br>DAVID K. HEHL, CPA         |             |
|  |  |                                     | License Number<br>1101007068               |             |

**PORT OF MONROE**  
Monroe, Michigan

FINANCIAL REPORT

For the Year Ending June 30, 2006

**PORT OF MONROE**

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## Independent Auditor's Report

Monroe Port Commission  
Port of Monroe  
2929 East Front Street  
Monroe, Michigan 48161

We have audited the accompanying financial statements of the Port of Monroe, Monroe, Michigan, a component unit of the City of Monroe, Michigan as of and for the year then ended June 30, 2006 as listed in the table of contents. These financial statements are the responsibility of the Port of Monroe management. Our responsibility is to report on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our report.

The financial statements present only the Port of Monroe and do not purport to, and do not, present fairly the financial position of City of Monroe, Michigan, as of June 30, 2006, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 9 to the financial statements, the Port of Monroe owns property which is undergoing environmental remediation. The Port of Monroe is one of several potentially responsible parties for these costs, the total amount of which has not been determined. As of June 30, 2006 a provision was made in the accompanying financial statements for the minimum amount of the range of estimated liability.

Because of the significance of the uncertainty described in the preceding paragraph, we are unable to express, and we do not express, an opinion on the financial statements referred to in the first paragraph for the year ended June 30, 2006.

Monroe Port Commission  
Port of Monroe

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Management's Discussion and Analysis is not a required part of the financial statements, but is required supplementary information. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Port of Monroe, taken as a whole. The budgetary comparison schedule is presented for additional analysis and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements but, as noted above, because of the significance of the uncertainty described above, we are unable to express, and we do not express an opinion on the schedule.

*Cooley Hehl Wollgamuth & Carlton, PLLC*

July 25, 2006

**PORT OF MONROE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Monroe Port Commission, we offer the readers of the Monroe Port Commission's financial statements this narrative overview and analysis of the financial activities of the Monroe Port Commission for the fiscal year ended June 30, 2006. Please read it in conjunction with the transmittal letter, also called the Independent Auditor's Report, found in the front of this report, and the Port's financial statements, which follow this section.

**Financial Highlights**

The Port of Monroe (the "Port") is a separate legal entity created by a vote of the people of the City of Monroe (the "City") in 1932 in accordance with the Port District Act. For accounting purposes, it is considered a component unit of the City.

As shown on the Statement of Net Assets below, the Port's assets exceed its liabilities by \$3,296,667. The net assets have increased by \$116,322 for fiscal year 2005-2006 when comparing the beginning of the fiscal year to the end of the fiscal year. Net assets may, over time, enable governmental agencies to determine their overall fiscal position. With respect to net assets, the Port's net asset position has remained essentially the same from the beginning of the fiscal year.

The Port's position in cash and cash equivalents increased by \$67,000 during fiscal year ended June 30, 2006. This increase was primarily the result of 2006 property taxes collected prior to June 30, 2006, in the amount of \$58,660.

The Port millage rate increased from .25 to .50 mill for fiscal 2006 and decreased from .50 to .425 mill for fiscal 2007. The property tax revenue was approximately \$230,000, \$465,000, and \$400,000 for 2005, 2006, and 2007 respectively. The general purposes for the levy are to provide for a director of economic development, to purchase abandoned or underutilized parcels of land and to demolish blighted or functionally obsolete buildings for reuse thereby creating jobs, enhancing the tax base for the City of Monroe and improving the quality of life. The goals of the director of economic development include working to retain businesses already in the City and to recruit new businesses by facilitating their interface with state and local government in the regulatory arena and in obtaining economic incentives based on new investment and job creation. Every local community in Michigan and in the mid-west competes intensely for new jobs and investment dollars. As an advocate of business, the economic development director will improve the City's competitiveness in retaining and recruiting businesses, jobs, and investment.

In June of 2005 the Port acquired the vacant building at 14 East First Street in the City of Monroe. The City funded a feasibility study that assessed the use of the building as an annex for the nearby Dorsch Memorial Library. Representatives from the City, Port, the library advisory committee, and other interested citizens met recently to review the study and consider ways to improve the building for library purposes. This effort is expected to continue.

**PORT OF MONROE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006**

**Financial Highlights (Concluded)**

In June of 2006 the Port assumed ownership of approximately 35 acres of land located at the intersection of East Elm Avenue and North Dixie Highway. The Battle of the River Raisin occurred on this site in 1813 and many American soldiers were taken prisoner or killed during the battle. The land north of Elm was donated by Homrich, Inc. and the land between Elm and the River Raisin was donated by the Monroe County Historical Society. The Port accepted ownership with the understanding that the property would be held for a historical park and the purpose of preservation and historical interpretation of the events surrounding this important battle of the War of 1812. The City received a grant of \$1 million from the State of Michigan for the demolition and environmental remediation of the historical site, which is expected to occur in the near future.

**Overview of Financial Statements**

This discussion and analysis is intended to provide a basis of understanding of the Port's basic financial statements. These statements present the following components: presentation of net assets; presentation of revenues, expenses, and cash flows; notes to financial statements; and supplemental information. While the financial statements show other non-operating revenues including property tax, the operations of the Port as a component unit of the City are accounted for as a single proprietary fund that accounts for the operations that are financed through user charges to the general public.

**Statement of Net Assets.** The statement of net assets presents information on all of the Port's assets and liabilities, with differences between the two reported as net assets. The capital assets of the Port are listed in the Statement of Net Assets. Over time, increases and decreases in the net assets reflect activities by the Port that may have positive or negative financial impact on the overall fiscal position of the Port.

**Statements of Revenues, Expenses and Cash Flows.** These statements present information about the Port's operating and non-operating revenues and expenses, a comparison of cash and cash equivalents between the beginning and the end of the fiscal year, and a reconciliation of operating income to net cash from operating activities.

**Notes to the financial statements.** The notes provide additional information for a full understanding of the data provided in the Port's financial statements.

**Supplemental Information.** The supplemental information in the Port's financial statements consists of the budgetary schedule, which compares actual amounts with the original and amended budgets as approved by the Port and the City.

**PORT OF MONROE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006**

**Condensed Statement of Net Assets.** Below you will find the financial statements presented in a condensed format. The details along with certain reconciliations are presented in the financial statements that follow Management's Discussion and Analysis.

|  | <u>2006</u>        | <u>2005</u>        |
|--|--------------------|--------------------|
| <b>Assets:</b>                                   |                    |                    |
| Current assets                                   | \$578,682          | \$587,983          |
| Restricted cash - held in trust                  | 20,140             | 19,910             |
| Property and Equipment                           | <u>3,736,320</u>   | <u>3,805,885</u>   |
| Total assets                                     | <u>\$4,335,142</u> | <u>\$4,413,778</u> |
| <b>Liabilities:</b>                              |                    |                    |
| Current liabilities                              | \$460,855          | \$635,217          |
| Contract payable                                 | 165,062            | 165,658            |
| Due to City of Monroe (Extension of Utilities)   | 60,000             | 80,000             |
| Deferred income - rent                           | 52,558             | 52,558             |
| Environmental                                    | <u>300,000</u>     | <u>300,000</u>     |
| Total liabilities                                | <u>\$1,038,475</u> | <u>\$1,233,433</u> |
| <b>Net assets:</b>                               |                    |                    |
| Invested in capital assets - net of related debt | \$3,491,258        | \$3,445,885        |
| Restricted - environmental trust                 | 20,140             | 19,910             |
| Unrestricted                                     | <u>(214,731)</u>   | <u>(285,450)</u>   |
| Total net assets                                 | <u>\$3,296,667</u> | <u>\$3,180,345</u> |



**PORT OF MONROE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006**

**Condensed Statement of Revenues, Expenses, and Changes in Net Assets and Cash and Cash Equivalents**

|  | 2006        | 2005        |
|--|-------------|-------------|
| Operating revenues                                   | \$123,810   | \$124,529   |
| Non-operating revenues                               | 486,191     | 231,956     |
| Total revenues                                       | 610,001     | 356,485     |
| Operating expenses                                   | 491,398     | 473,639     |
| Non-operating expenses                               | 2,281       | 0           |
| Total expenses                                       | 493,679     | 473,639     |
| Change in net assets (revenues less expenses)        | \$116,322   | (\$117,154) |
| Total net assets, beginning of year                  | \$3,180,345 | \$3,297,499 |
| Increase (Decrease) in net assets                    | 116,322     | (117,154)   |
| Total net assets, end of year                        | \$3,296,667 | \$3,180,345 |
| Cash in  | \$589,297   | \$665,334   |
| Cash out   | (522,297)   | (644,947)   |
| Net Increase (Decrease) in cash and cash equivalents | \$67,000    | \$20,387    |
| Cash and cash equivalents, beginning of year         | \$121,200   | \$100,813   |
| Net Increase (Decrease) in cash and cash equivalents | 67,000      | 20,387      |
| Cash and cash equivalents, end of year               | \$188,200   | \$121,200   |

**Financial Analysis**

The increase in the Port's cash and cash equivalents by \$67,000 during fiscal year 2006 resulted primarily from the collection of 2006 property taxes prior to June 30, 2006 in the amount of \$58,660. The capital assets, net of depreciation and related debt, increased by \$45,373 because the Port's acquisitions and debt reduction, were greater than the current year depreciation. The levy of an additional quarter mill for fiscal 2006, increased property tax revenue by \$235,074, which is the primary change in the above Condensed Statement between 2006 and 2005.

**PORT OF MONROE  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006**

**Financial Analysis (Concluded)**

There were also the following income and expense items that were notable fluctuations from the prior year:

State grant: Increased \$12,500 resulting from a coastal grant. There were no grants in the prior year.

Interest income: Increase of \$6,661 because the average balance was higher with the property tax increase and also the rates were higher.

Salaries and fringes: Increase of \$86,812 relating to the additional employee for economic development.

Bad debt expense: Decreased \$45,000, which was a prior year write off of uncollected land rent.

**Budgetary Highlights**

The Port budget is set out in the supplemental information comparing the initial and amended budgets and the actual amounts spent in the various categories. Some of the larger differences of actual compared to budget are as follows:

Wharfage and dockage revenue: Over budget \$10,059 because of a new berthing agreement with U.S. National Oceanic & Atmospheric Administration (NOAA) for vessel dockage.

Repairs and maintenance: Under budget \$32,136 because the reconstruction of the parking area for the Port office was cancelled due to costs. The scope of the project is being reconsidered.

Legal: Under budget \$11,103 because certain tasks previously performed by legal counsel were performed by the new director of economic development.

Interest expense: Over budget \$6,436 relating to a land contract liability for the East First Street property.

**PORT OF MONROE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006**

**Capital Asset and Debt Administration**

|                                     | Beginning<br>Balance | Additions       | Deletions      | Ending<br>Balance  |
|-------------------------------------|----------------------|-----------------|----------------|--------------------|
| Total Nondepreciable Capital Assets | \$2,350,467          | \$0             | \$0            | \$2,350,467        |
| Total Depreciable Capital Assets    | 2,977,204            | 27,021          | 7,797          | 2,996,428          |
| Total Capital Assets                | 5,327,671            | <u>\$27,021</u> | <u>\$7,797</u> | 5,346,895          |
| Less Total Accumulated Depreciation | 1,521,786            | <u>\$94,304</u> | <u>\$5,515</u> | 1,610,575          |
| Total Capital Assets, Net           | <u>\$3,805,885</u>   |                 |                | <u>\$3,736,320</u> |

Capital asset additions were primarily office furniture and an office copier for a total of \$14,459.

The Port has agreed to reimburse the City for cost of certain infrastructure improvements as a part of a state grant. The balance of \$80,000 as of June 30, 2006, will be paid in annual installments of \$20,000 until paid in full. See Note 11 to the financial statements for more detailed information.

**Economic Factors**

The Port continues to receive inquiries about industrial development and intermodal transportation opportunities, due in part, perhaps, to the rising costs of other types of transportation. Development projects are currently under consideration that would involve rail and lake shipping opportunities. Monroe Recycling has substantially completed a major improvement to the Port land located along the River Raisin costing several million dollars by paving the entire area for industrial scrap metal operations and other intermodal shipping opportunities. A double set of railroad tracks will be constructed to the waterfront before the end of 2006 at a cost of more than \$500,000 dollars. The company purchased the adjoining 2 acres on the river from a private seller and substantially improved the previously existing building for offices and operations at the cost of more than \$1.5 million dollars. The company is conducting limited operations presently and should be fully operational before the end of the year. The Port is negotiating a long term lease and sale option for the 106,000 square foot building at E. First Street and E. Front Street with PreBesto Homes, a company that manufactures modular homes. The company now occupies the building on a short term basis while the deal is negotiated. The company will employ at least 20 new people and invest more than \$1 million dollars in equipment. Economic prospects at the Port of Monroe have improved over the past year and further investment and new jobs can be reasonably expected during the current fiscal year.

**Requests for Information**

This financial report is designed to provide a general overview of the Port's finances for all those with an interest in this component unit of the City. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Monroe Port Commission, Attention: Chairman, 2929 E. Front Street, P.O. Box 585, Monroe, MI 48161.

BALANCE SHEET

June 30, 2006

**Assets**

## Current Assets

|   |           |
|---|-----------|
| Cash and cash equivalents                           | \$188,200 |
| Accounts receivable                                 | 7,967     |
| Property taxes receivable, less allowances of \$266 | 24,250    |
| State grant receivable                              | 12,500    |
| Due from City of Monroe - property taxes            | 317,418   |
| Prepaid expenses                                    | 28,347    |

Total Current Assets 578,682

## Restricted Assets

|                                 |        |
|---------------------------------|--------|
| Restricted cash - held in trust | 20,140 |
|---------------------------------|--------|

## Capital Assets

|                              |           |
|------------------------------|-----------|
| Property and equipment - net | 3,736,320 |
|------------------------------|-----------|

Total Assets \$4,335,142

**Liabilities and Net Assets**

## Current Liabilities

|   |          |
|---|----------|
| Accounts payable                          | \$31,631 |
| Due to City of Monroe                     | 20,000   |
| Other accrued expenses                    | 289      |
| Deferred income - property taxes          | 400,328  |
| Current portion of deferred income - rent | 8,607    |

Total Current Liabilities 460,855

## Long-Term Liabilities

|                        |         |
|------------------------|---------|
| Contract payable       | 165,062 |
| Due to City of Monroe  | 60,000  |
| Deferred income - rent | 52,558  |
| Environmental          | 300,000 |

Total Long-term Liabilities 577,620

Total Liabilities 1,038,475

## Net Assets

|  |           |
|--|-----------|
| Invested in capital assets, net of related debt of \$245,062 | 3,491,258 |
| Restricted - environmental trust                             | 20,140    |
| Unrestricted   | (214,731) |

Total Net Assets 3,296,667

Total Liabilities and Net Assets \$4,335,142

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Fiscal Year Ended June 30, 2006

|   | <u>Amount</u>      | <u>Percentage of<br/>Operating<br/>Revenue</u> |
|---|--------------------|--|
| <b>Operating Revenues</b>                       |                    |  |
| Building rental                                 | \$41,855           | 33.8   |
| Land rental                                     | 22,000             | 17.8   |
| Wharfage and dockage                            | 45,059             | 36.4   |
| MCIDC - office rental                           | 10,000             | 8.1  |
| Administrative services                         | 4,896              | 3.9  |
| Total Operating Revenues                        | 123,810            | 100.0  |
| <b>Operating Expenses</b>                       |                    |  |
| Consulting engineers                            | 80,656             | 65.3   |
| Salaries  | 116,767            | 94.3   |
| Environmental expense                           | 6,000              | 4.8  |
| Environmental travel and meetings               | 916                | 0.7  |
| Repairs and maintenance                         | 37,864             | 30.6   |
| Legal   | 28,897             | 23.3   |
| Auditing and accounting                         | 10,760             | 8.7  |
| Utilities                                       | 9,556              | 7.7  |
| Telephone                                       | 1,395              | 1.1  |
| Office supplies and postage                     | 3,047              | 2.5  |
| Life and medical benefits                       | 1,235              | 1.0  |
| General insurance                               | 31,474             | 25.4   |
| Payroll tax                                     | 9,041              | 7.3  |
| Office cleaning                                 | 3,120              | 2.5  |
| Travel - general                                | 1,573              | 1.3  |
| Promotion                                       | 2,559              | 2.1  |
| Dues and subscriptions                          | 2,290              | 1.8  |
| Deferred compensation plan                      | 6,591              | 5.3  |
| Miscellaneous expense                           | 465                | 0.4  |
| Commissioner fees                               | 6,240              | 5.0  |
| Advertising                                     | 1,025              | 0.8  |
| MCIDC - marketing                               | 10,000             | 8.1  |
| Depreciation expense                            | 94,304             | 76.2   |
| Wastewater treatment                            | 19,187             | 15.5   |
| Interest expense                                | 6,436              | 5.2  |
| Total Operating Expenses                        | 491,398            | 396.9  |
| Operating Income (Loss)                         | (367,588)          | (296.9)  |
| <b>Nonoperating Revenues (Expenses)</b>         |                    |  |
| Interest income                                 | 8,703              |  |
| State grant revenue                             | 12,500             |  |
| Property tax - City of Monroe, net of allowance | 464,988            |  |
| Loss on disposal of assets                      | (2,281)            |  |
| Nonoperating Revenues                           | 483,910            |  |
| Change in Net Assets                            | 116,322            |  |
| Total Net Assets, Beginning of Year             | 3,180,345          |  |
| Total Net Assets, End of Year                   | <u>\$3,296,667</u> |  |

(See accompanying notes to financial statements)

STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2006

**Cash Flows From Operating Activities:**

|   |                  |
|---|------------------|
| Cash received from customers and tenants          | \$99,851         |
| Cash payments to suppliers for goods and services | (260,562)        |
| Cash payments to employees for services           | <u>(118,183)</u> |

|  |           |
|--|-----------|
| Net Cash Provided By (Used For) Operating Activities | (278,894) |
|--|-----------|

**Cash Flows From Noncapital Financing Activities:**

|  |                |
|--|----------------|
| Cash received from property tax - City of Monroe | <u>480,973</u> |
|--|----------------|

|  |         |
|--|---------|
| Net Cash Provided By (Used For) Financing Activities | 480,973 |
|--|---------|

**Cash Flows From Capital and Related Financing Activities:**

|                                     |                  |
|-------------------------------------|------------------|
| Purchase of capital assets          | (28,614)         |
| Principal payment on long-term debt | <u>(114,938)</u> |

|  |           |
|--|-----------|
| Net Cash Provided By (Used For) Financing Activities | (143,552) |
|--|-----------|

**Cash Flows From Investing Activities:**

|                                  |              |
|----------------------------------|--------------|
| Interest received on investments | 8,703        |
| Assets added to trust and escrow | <u>(230)</u> |

|   |              |
|---|--------------|
| Net Cash Provided By (Used In) Investing Activities | <u>8,473</u> |
|---|--------------|

|  |        |
|--|--------|
| Net Increase (Decrease) in Cash and Cash Equivalents | 67,000 |
|--|--------|

|  |                |
|--|----------------|
| Cash and Cash Equivalents, Beginning of Year | <u>121,200</u> |
|--|----------------|

|  |                         |
|--|-------------------------|
| Cash and Cash Equivalents, End of Year | <u><u>\$188,200</u></u> |
|--|-------------------------|

RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES  
For the Fiscal Year Ended June 30, 2006

|  |                           |
|--|---------------------------|
| Operating Income (Loss)  | (\$367,588)               |
| Adjustments to Reconcile Operating Income (Loss) from Operations to Net Cash<br>Provided by (Used for) Operating Activities: |                           |
| Depreciation   | 94,304                    |
| Change in Assets and Liabilities:  |                           |
| Decrease (Increase) in accounts receivable   | (2,688)                   |
| Decrease (Increase) in prepaid expenses  | (1,451)                   |
| Increase (Decrease) in accounts payable  | 10,927                    |
| Increase (Decrease) in deposits  | (7,000)                   |
| Increase (Decrease) in other accrued expenses  | (1,127)                   |
| Increase (Decrease) in deferred income - rent  | <u>(4,271)</u>            |
| Total Adjustments  | <u>88,694</u>             |
| Net Cash Provided by (Used for) Operating Activities   | <u><u>(\$278,894)</u></u> |

(See accompanying notes to financial statements)

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

Note 1      Summary of Significant Accounting Policies

The following is a summary of the more significant accounting policies of the Port of Monroe.

A. Financial Reporting Entity

The Port of Monroe is a separate legal entity and a component unit of the City of Monroe for financial reporting purposes.

The Port was created by public vote in 1932, under the Michigan Port Districts Act 234 of 1925, as amended. It is administered by the Monroe Port Commission, consisting of five commissioners appointed to three year terms by the Monroe City Council.

B. Basis of Presentation

The operations of the Port are accounted for in a single enterprise type fund as outlined in Governmental Accounting Standards Board (GASB) No. 34. The fund is used to account for operations that are financed through user charges to the general public.

C. Basis of Accounting

The Port of Monroe uses the accrual basis method of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred. Depreciation expense is recorded for the period.

The Port distinguishes operating revenue and expense from non-operating items. The principal operating revenues are rent, wharfage, dockage and administrative support. Non-operating revenue includes property taxes, appropriated by the City of Monroe, grants and interest. The Port applies only those applicable FASB pronouncements issued prior to November 30, 1989.

D. Budget Information

Prior to the beginning of the fiscal year a budget is approved by the Port Commission subject to the approval of the Monroe City Council. Budget amounts are as originally adopted, or as amended if applicable. Unexpended appropriations lapse at year end.

E. Cash and Cash Equivalents

Cash and cash equivalents include cash in banks, certificates of deposit and investment pools with original maturities of less than three months. Currently the Port only has cash in checking and money market investment pool accounts which it considers to be cash and cash equivalents.

F. Capital Assets

Items capitalized are valued at cost. The depreciable capital assets are depreciated using the straight-line method over the estimated useful lives of the assets.



NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

Note 1 Summary of Significant Accounting Policies (Concluded)

## F. Capital Assets (Concluded)

The major portion of these assets are rented to others on operating leases.

| <u>Depreciation Categories</u> | <u>Life in Years</u> |
|--------------------------------|----------------------|
| Land & earthen dike            | 0                    |
| Road and site improvements     | 0-25                 |
| Railroad siding                | 10-50                |
| Wharf                          | 7-50                 |
| Dredging                       | 20                   |
| Leachate collection system     | 7-20                 |
| Rental building                | 10-33                |
| Office building                | 3-39                 |
| Furniture and equipment        | 5-10                 |

## G. Property Taxes

Properties are assessed and appropriated by the City of Monroe as of December 31. These taxes are billed and become an enforceable lien on the first Tuesday in May of the following year. These taxes are due on June 30 with the final collection date of September 15 before they are added to the county tax rolls.

Property taxes billed each May will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue at June 30.

## H. Grants

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Note 2 Deposits and Investments

On December 16, 1998 the Port Commission adopted an investment policy to invest its funds in a manner which will provide the highest in investment return with the maximum security while meeting the daily cash flow needs of the Port and comply with all state statutes governing the investment of public funds. The primary objectives in priority order of the investment activities are safety of principal, diversification, liquidity, and return on investment. The policy lists the types of investments that are authorized so long as they comply with the applicable state statutes.

The Port's deposits and investments were reported in the balance sheet under the following categories:

|                                 |                  |
|---------------------------------|------------------|
| Cash and cash equivalents       | \$188,200        |
| Restricted cash - held in trust | <u>20,140</u>    |
| Total                           | <u>\$208,340</u> |

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

Note 2     Deposits and Investments (Continued)

The breakdown between deposits and investments for the Port are as follows:

|   |                  |
|---|------------------|
| Bank deposits (checking accounts, savings accounts,<br>and certificates of deposit) | \$30,604         |
| Petty cash  | 100              |
| Public short-term pooled investment funds<br>held by a bank depository              | <u>177,636</u>   |
|   | <u>\$208,340</u> |

**Deposits**

The above bank deposits reflected accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$32,976. It is that amount that was covered by federal depository insurance and the remaining deposits were uninsured and uncollateralized.

**Investments**

The Port's investments are categorized below to give an indication of the level of risk assumed by the Port at the year end. Risk Category 1 in the amount of \$30,604 includes those investments that meet any one of the following criteria:

- a. Insured
- b. Registered
- c. Held by the Port or its agent

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterpart's trust department (or agency) in the Port's name. Category 3 includes investments held by:

- a. The counterpart or
- b. The counterpart's trust department (or agent) but not in the Port's name

The Port's investment balance as of June 30, 2006 was not subject to categorization as follows:

|                        |                  |
|------------------------|------------------|
| Bank investment pools: |                  |
| Short-term mutuals     | <u>\$177,636</u> |

The investments not subject to categorization are not evidenced by securities that exist in physical or book entry form. The bank investment pools are regulated by the Michigan Banking Act. The fair value of the position in the bank investment pools is \$1.00 per share and is the same as the reported value of the pool shares. The shares are accessible on demand and act as a sweep account to checking.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

Note 2 Deposits and Investments (Concluded)**Interest Rate Risks**

The Port's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the Port manages its exposure to interest rate risk by generally limiting investment maturities to less than one year.

**Credit Risk**

The Port's credit risk is limited by the state statutes governing the investment of public funds and by the Port Commission investment policy which limits the types of investments. The Port has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk**

The Port investment policy refers to diversification by institution as a method to improve security of principal. The Port places no limit on the amount the Port may deposit or invest in any one issuer. As of June 30, 2006, 100% of the deposits and bank held public short-term pooled investment funds were with Monroe Bank & Trust.

**Custodial Credit Risk**

All of the bank pooled investment accounts and bank deposit accounts, except for the cash held in trust of \$20,140, are in the name of the Port.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

Note 3      Property and Equipment

The following table presents the changes in the various fixed asset class categories for the year ended June 30, 2006 as follows:

|                                | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending<br/>Balance</u> |
|--------------------------------|------------------------------|------------------|------------------|---------------------------|
| Nondepreciable Capital Assets: |                              |                  |                  |                           |
| Land                           | \$1,665,709                  | \$ -             | \$ -             | \$1,665,709               |
| Site improvements              | 363,697                      | -                | -                | 363,697                   |
| Earthen dikes                  | <u>321,061</u>               | -                | -                | <u>321,061</u>            |
| Total Nondepreciable           | 2,350,467                    | -                | -                | 2,350,467                 |
| Depreciable Capital Assets:    |                              |                  |                  |                           |
| Road & site improvement        | 871,212                      | 6,206            | -                | 877,418                   |
| Railroad siding                | 268,785                      | -                | -                | 268,785                   |
| Wharf                          | 245,495                      | 3,326            | -                | 248,821                   |
| Dredging                       | 374,445                      | -                | -                | 374,445                   |
| Leachate collection system     | 36,056                       | -                | -                | 36,056                    |
| Rental buildings               | 524,514                      | 3,030            | 225              | 527,319                   |
| Office building                | 574,614                      | -                | 2,571            | 572,043                   |
| Furniture and equipment        | <u>82,083</u>                | <u>14,459</u>    | <u>5,001</u>     | <u>91,541</u>             |
| Total Depreciable              |                              |                  |                  |                           |
| Capital Assets                 | <u>2,977,204</u>             | <u>27,021</u>    | <u>7,797</u>     | <u>2,996,428</u>          |
| Total Capital Assets           | 5,327,671                    | 27,021           | 7,797            | 5,346,895                 |
| Less Accumulated Depreciation: |                              |                  |                  |                           |
| Road and site improvement      | 272,776                      | 35,216           | -                | 307,992                   |
| Railroad siding                | 137,452                      | 5,706            | -                | 143,158                   |
| Wharf                          | 205,943                      | 2,314            | -                | 208,257                   |
| Dredging                       | 301,129                      | 18,722           | -                | 319,851                   |
| Leachate collection system     | 17,232                       | 1,762            | -                | 18,994                    |
| Rental Buildings               | 248,702                      | 8,933            | 225              | 257,410                   |
| Office building                | 266,721                      | 16,999           | 571              | 283,149                   |
| Furniture and equipment        | <u>71,831</u>                | <u>4,652</u>     | <u>4,719</u>     | <u>71,764</u>             |
| Total Accumulated              | <u>1,521,786</u>             | <u>\$ 94,304</u> | <u>\$5,515</u>   | <u>1,610,575</u>          |
| Total Capital Assets, Net      | <u>\$3,805,885</u>           |                  |                  | <u>\$3,736,320</u>        |

Rental buildings includes the First Street building, adjacent to the library, which is a depreciable asset and will start being depreciated when it is placed in use. The total cost of that property is \$235,739.

In June of 2006 the Port assumed ownership of approximately 35 acres of land that is a part of the former River Raisin Paper Company properties located at the intersection of East Elm Avenue and North Dixie Highway in Monroe, Michigan. The Battle of the River Raisin occurred on this site in 1813 and many American soldiers were taken prisoner or killed during the battle. The land north of Elm was donated by Homrich, Inc. and the land between Elm and the River Raisin was donated by the Monroe County Historical Society.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

Note 3      Property and Equipment (Concluded)

The Port accepted ownership of the land with the understanding that the property would be held for historical purposes only, eventually to be developed into a public park dedicated to the preservation and historical interpretation of the events surrounding this historical battle of the War of 1812. The City received a grant of \$1 million from the State of Michigan for the demolition and environmental remediation of the historical site, which is expected to occur in the near future. The Monroe County Historical Society also provided an environmental insurance policy which insures the Port against certain environmental claims with limits up to \$1 million for the next 5 years. U.S. Congressman, John Dingell, has introduced legislation in the U. S. House of Representatives that would authorize the U. S. Park Service to perform a study of the site that could lead to the transfer of the property by the Monroe Port Commission to the Park Service. This process will take several years after the legislation has been approved by the Congress. Because the Port has agreed to hold this property for the exclusive purpose of historical preservation and interpretation, or to transfer the property to a non-profit organization without consideration, no value has been recognized in the Port's financial records as a result of these donations.

Note 4      Assets Held in Trust

As discussed in more detail in Note 9, the Port is taking part in a work plan to resolve the environmental contamination at the Port of Monroe. The Port of Monroe and Harsco Corporation have each advanced funds to a trust to fund a work plan for remedial investigation and feasibility study. The Port's share of the trust fund balance at June 30, 2006 was \$20,140.

Note 5      Rental Income

The terms of the rental agreements are varied, and are changed from time to time when they are renewed. Several of the agreements can be terminated by written notification in advance by either party while for others the termination clause is conditional. All leases are accounted for as operating leases.

The following is a schedule by years of minimum future rental income on noncancellable operating leases with terms of one year or longer as of June 30, 2006:

|                     |                  |
|---------------------|------------------|
| 2007                | \$ 33,897        |
| 2008                | 46,008           |
| 2009                | 53,535           |
| 2010                | 54,279           |
| 2011                | 48,232           |
| 2012 and thereafter | <u>364,922</u>   |
| Total               | <u>\$600,873</u> |

The Port of Monroe, as lessor, has entered into lease agreements which include contingent lease payments. The contingent portion of lease income was \$12,781 for wharfage and \$0 for land in fiscal 2006.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

Note 6 Retirement Plan

The Port offers its employee a deferred compensation plan with the Equitable Life Assurance Society, which holds the funds as agent. The plan, available to all Port employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to its employee until termination, retirement, death, or unforeseeable emergency. The employees deferred \$4,100 of their compensation in fiscal 2006. The Port contributed \$6,591 in fiscal 2006, which was 5.58% of compensation.

Note 7 Michigan Unemployment

The Port of Monroe has elected the reimbursement method of paying for Michigan unemployment benefits claimed by an eligible Port employee; and therefore, has a contingent liability. Since there are only two employees this unrecorded liability would be relatively small.

Note 8 Monroe County Industrial Development Corporation

The Monroe County Industrial Development Corporation (MCIDC) is a non-profit corporation whose purpose is to promote the development of industry in the area. The Port of Monroe and the MCIDC share similar goals and the MCIDC is providing marketing services to prospective clients interested in locating in the Port area.

MCIDC occupies office space at the Port office building in exchange for marketing services. The rental value and services were valued at \$10,000 for fiscal June 30, 2006. MCIDC reimburses the Port for postage and incidental items.

Note 9 Port Property Under Environmental Remediation

The Port of Monroe owns approximately 317 acres of a 480 acre track of land that has been identified as a site of environmental contamination by the Michigan Department of Environmental Quality (MDEQ). The MDEQ has notified the Port Commission and more than seventy (70) other individual and corporate entities that they have been identified as potentially responsible parties. The remedial investigation of the land has been substantially completed. The data collected has demonstrated that there is no serious risk to human health or to the environment. The land is available for industrial development except for relatively small portions needed to construct and maintain shore protection, intermodal transportation easements, and utility corridors. By submitting a baseline environmental assessment (BEA) under Michigan's Natural Resources and Environmental Protection Act (NREPA) to the MDEQ, prospective developers have liability protection from existing environmental contamination. Remedial action will probably consist of limited monitoring and shore protection in selected areas. The Port Commission and Harsco Corporation continue to work cooperatively with MDEQ toward a final remedial action plan (RAP) for all of the land that will bring closure to the site. An interim remedial action plan (IRAP) for the land east of Interstate 75 has been reviewed by MDEQ. The Port representatives have met with MDEQ to discuss various options which are currently under consideration. The Port Commission has established the sum of \$300,000 on its balance sheet under liabilities to represent an estimate of its share of the remedial action costs based upon present information.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

Note 10   Risk Management

The Port is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Port participates in the Michigan Municipal League Liability and Property Pool (MMLLPP), a public entity risk pool operating a common risk management and insurance program. The Port pays an annual premium to MMLLPP for its general insurance coverage. MMLLPP is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$500,000 for each insured event. The Port carries workers' compensation insurance with the Michigan Municipal League.

Settled claims resulting from the various risks described above have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11   Due to City of Monroe

The City of Monroe is obligated to repay the Michigan Economic Development Corporation \$400,000. A grant was obtained by the City of Monroe for Port improvements intended to encourage development and create jobs. Since the conditions of the grant were not met by the deadline, the City is required to repay the grant over ten years with possible reductions of \$20,000 per job created during the repayment period. The Port has agreed to participate in the repayment on an annual basis.

The maximum amount is recorded "Due to the City of Monroe," totaling \$80,000 as of June 30, 2006.

|                         |                  |
|-------------------------|------------------|
| Balance - July 1, 2005  | \$100,000        |
| Principal paid          | <u>20,000</u>    |
| Balance - June 30, 2006 | <u>\$ 80,000</u> |

The annual requirements to service the debt outstanding as of June 30, 2006 are as follows:

| <u>Fiscal June 30</u> |                 |
|-----------------------|-----------------|
| 2007                  | \$20,000        |
| 2008                  | 20,000          |
| 2009                  | 20,000          |
| 2010                  | 20,000          |
| 2011 and thereafter   | <u>-</u>        |
| Total                 | <u>\$80,000</u> |

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2006

Note 12    Land Contract Liability

On June 20, 2005 the Port of Monroe purchased a building next to the Dorsch Memorial Library on a land contract for \$260,000. The first payment was due on October 1, 2005 which included acquisition costs of \$2,917, interest at 3%, and the balance on the contract principal. Subsequent payments will be interest only, due on June 20 of each year until the balloon payment of principal on June 20, 2010. The contract may be paid off early without penalty. The Port was required to pay Summer 2005 property taxes assessed in the amount of \$2,292, and will be required to pay Winter 2005. Since the Port is a governmental entity, in future years the Port will be exempt from property taxes.

|                         |                  |
|-------------------------|------------------|
| Balance - July 1, 2005  | \$260,000        |
| Principal Paid          | <u>(94,938)</u>  |
| Balance - June 30, 2005 | <u>\$165,062</u> |

The annual requirements to service the debt outstanding as of June 30, 2006 are as follows:

| <u>Fiscal June 30</u> | <u>Total</u>     | <u>Principal</u> | <u>Interest</u> |
|-----------------------|------------------|------------------|-----------------|
| 2007                  | \$ 4,952         | \$ -             | \$ 4,952        |
| 2008                  | 4,952            | -                | 4,952           |
| 2009                  | 4,952            | -                | 4,952           |
| 2010                  | <u>169,876</u>   | <u>165,062</u>   | <u>4,814</u>    |
| Total                 | <u>\$184,732</u> | <u>\$165,062</u> | <u>\$19,670</u> |

Note 13    Contingencies

In the normal course of its activities, the Port may be a party to certain legal actions. The Port and its legal counsel are of the opinion that there are no legal actions which will have a material effect on the financial statements.



**BUDGETARY COMPARISON SCHEDULE**  
For the Fiscal Year Ended June 30, 2006  
(See Accompanying Independent Auditors' Report)

|   | <b>Budgeted Amounts</b> |                  | <b>Actual</b>    | <b>Variance From</b>                       |
|---|-------------------------|------------------|------------------|--|
|   | <b>Original</b>         | <b>Final</b>     | <b>Amounts</b>   | <b>Amended<br/>Positive<br/>(Negative)</b> |
| <b>Operating Revenues</b>                         |                         |                  |                  |  |
| Building rental                                   | \$45,000                | \$38,400         | \$41,855         | \$3,455                                    |
| Land rental                                       | 17,300                  | 21,500           | 22,000           | 500  |
| Wharfage and dockage                              | 37,000                  | 35,000           | 45,059           | 10,059                                     |
| MCIDC - office rental                             | 10,000                  | 10,000           | 10,000           | 0  |
| Administrative services                           | 4,200                   | 4,896            | 4,896            | 0  |
| <b>Total Operating Revenues</b>                   | <b>113,500</b>          | <b>109,796</b>   | <b>123,810</b>   | <b>14,014</b>                              |
| <b>Operating Expenses</b>                         |                         |                  |                  |  |
| Consulting engineers                              | 70,000                  | 85,000           | 80,656           | 4,344                                      |
| Salaries  | 140,900                 | 120,000          | 116,767          | 3,233                                      |
| Environmental expense                             | 15,000                  | 10,000           | 6,000            | 4,000                                      |
| Environmental travel and meetings                 | 2,000                   | 2,000            | 916              | 1,084                                      |
| Repairs and maintenance                           | 70,000                  | 70,000           | 37,864           | 32,136                                     |
| Legal   | 60,000                  | 40,000           | 28,897           | 11,103                                     |
| Auditing and accounting                           | 11,000                  | 11,000           | 10,760           | 240  |
| Utilities   | 8,000                   | 10,000           | 9,556            | 444  |
| Telephone   | 1,300                   | 1,500            | 1,395            | 105  |
| Office supplies and postage                       | 2,000                   | 2,000            | 3,047            | (1,047)                                    |
| Life and medical benefits                         | 1,000                   | 1,800            | 1,235            | 565  |
| General insurance                                 | 33,000                  | 33,000           | 31,474           | 1,526                                      |
| Payroll tax                                       | 3,150                   | 9,150            | 9,041            | 109  |
| Office cleaning                                   | 3,500                   | 3,500            | 3,120            | 380  |
| Travel - general                                  | 1,000                   | 2,000            | 1,573            | 427  |
| Promotion   | 2,000                   | 3,000            | 2,559            | 441  |
| Dues and subscriptions                            | 2,000                   | 2,500            | 2,290            | 210  |
| Deferred compensation plan                        | 2,330                   | 6,800            | 6,591            | 209  |
| Miscellaneous expense                             | 1,000                   | 1,000            | 465              | 535  |
| Commissioner fees                                 | 8,500                   | 8,500            | 6,240            | 2,260                                      |
| Contingency expense                               | 1,000                   | 1,000            | 0                | 1,000                                      |
| Security  | 1,000                   | 1,000            | 0                | 1,000                                      |
| Advertising                                       | 2,500                   | 2,500            | 1,025            | 1,475                                      |
| MCIDC - marketing                                 | 10,000                  | 10,000           | 10,000           | 0  |
| Depreciation expense                              | 95,000                  | 95,000           | 94,304           | 696  |
| Wastewater treatment                              | 30,000                  | 20,000           | 19,187           | 813  |
| Interest expense                                  | 0                       | 0                | 6,436            | (6,436)                                    |
| <b>Total Operating Expenses</b>                   | <b>577,180</b>          | <b>552,250</b>   | <b>491,398</b>   | <b>60,852</b>                              |
| <b>Operating Income (Loss)</b>                    | <b>(463,680)</b>        | <b>(442,454)</b> | <b>(367,588)</b> | <b>74,866</b>                              |
| <b>Nonoperating Revenues (Expenses)</b>           |                         |                  |                  |  |
| Interest income                                   | 2,000                   | 8,000            | 8,703            | 703  |
| Grant revenue                                     | 12,500                  | 12,500           | 12,500           | 0  |
| Property tax - City of Monroe<br>net of allowance | 460,000                 | 460,000          | 464,988          | 4,988                                      |
| Loss on disposal of assets                        | 0                       | 0                | (2,281)          | (2,281)                                    |
| <b>Net Nonoperating Revenues</b>                  | <b>474,500</b>          | <b>480,500</b>   | <b>483,910</b>   | <b>3,410</b>                               |
| <b>Change in Net Assets</b>                       | <b>\$10,820</b>         | <b>\$38,046</b>  | <b>\$116,322</b> | <b>\$78,276</b>                            |

(See accompanying notes to financial statements)



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Port of Monroe  
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Monroe, Michigan 48161

## Report of Comments and Recommendations

### Board Members:

In planning and performing our audit of the financial statements of the Port of Monroe, for the year ended June 30, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. During the course of our audit, we noted certain practices and procedures which we believe are worthy of comment.

Our comments on these items are set forth herein for your review and have been discussed with appropriate personnel. These comments are based primarily upon procedures employed during our examination and therefore, do not encompass all matters that might result from special studies directed toward such matters.

### Commission Participation

The internal control system of the Port of Monroe is comprised of one clerical person, along with the involvement of the Port Commission and the City Clerk-Treasurer. We want to stress the importance of the Port Commission's continued participation in the system.

Accounting for Environmental Costs

The purpose of this comment is to review the accounting for environmental costs. A liability was recorded based on an estimate of the Port's share of costs to resolve the environmental problems in a manner acceptable to The Michigan Department of Environmental Quality. The estimates and their methodology should be documented for future reference and compared to expenditures made. Any change in the estimate would be recognized at that time.

In the future, as the costs are paid, the environmental liability on the Port's balance sheet would decrease.

We wish to express our appreciation for the continuing cooperation and courtesy extended to us by all officers and employees of the Port. We would be pleased to discuss any of these recommendations with you, and to provide any assistance that you may require in their implementation.

Very truly yours,

*Cooley Behl Wohlgamuth & Carlton, PLLC*

July 25, 2006